

CLOSING ARGUMENT (APPLICANT) PRESENTATION SLIDES

(Merits Hearing of 4/3-4/2018)

In the matter of Docket No. 2017-292-WS:
Application of Carolina Water Service, Incorporated,
for Approval of an Increase in Its Rates
for Water and Sewer Services

I hereby certify this document to be a
true copy of the original.

Jocelyn Boyd

Chief Clerk

Date 8/30/18



2017-292-WS

SUBTITLE

Chart: Contested Miscellaneous Revenue and O&M Adjustments

Revenue/O&M Adjustments	ORS Proposed Adjustment	CWS Proposed Adjustment	Impact to CWS Request
(9d) - Sludge Hauling Expense	\$ (96,892)	\$ -	\$ (96,892)
(40) - Late Fees - Misc. Revenues	\$ 35,576	\$ -	\$ (35,576)
(9c) - Purchased Water Deferral Balance	\$ 191,034	\$ 223,269	\$ (32,235)
(15) - I-20 Legal Cost Amortization	\$ -	\$ 14,979	\$ (14,979)
(16) - Updated Rate Case Expense	\$ (229,366)	\$ (215,715)	\$ (13,651)

Chart: Contested Rate Base Adjustments

Rate Base Adjustments	ORS Proposed Adjustment	CWS Proposed Adjustment	Impact to CWS Request
(32c) - Friarsgate EQ Liner Pro-Forma	\$ -	\$ 1,081,375	\$ (1,081,375)
(32d) - DHEC CO Engineering	\$ (306,552)	\$ -	\$ (306,552)

ISSUES

- Friarsgate Engineering Expenses
- Friarsgate Remediation Costs (EQ Liner)
- Friarsgate Sludge Hauling Expenses
- I-20 Litigation Expenses
- Tax Cuts and Jobs Act
- Forty Love Point Letts System
- Customer Service Issues

FRIARSGATE ENGINEERING EXPENSES

- Michael Cartin testified about the requirements of the Consent Order
- DHEC required a professional engineer
- Engineering services were rendered
- Carolina Water Service is not requesting recovery of the fine
- Explanation on the invoices is "C.O." for consent order

FRIARSGATE REMEDIATION COSTS (EQ LINER)

- Michael Cartin and Bob Gilroy testified
- The expenses were incurred for removal of the old liner
- Soil remediation of the site
- Required by consent order
- The costs do not include the new liner

FRIARSGATE SLUDGE HAULING EXPENSES

- Bob Gilroy testified
- The sludge hauling was required by the consent order
- The consent order requires that certain levels of sludge be "wasted"
- Nothing has changed – these costs are the "new normal"

I-20 LITIGATION EXPENSES

- Michael Cartin testified regarding these expenses
- They were all related to the I-20 plant
- When the Riverkeeper brought his lawsuit to force interconnection, there was no interconnection available to Carolina Water Service
- Carolina Water Service had no choice but to go through this lengthy and costly litigation.
- The interconnection became available in 2016 when DHEC denied the permit and order Carolina Water Service and Lexington to interconnect
- Carolina Water Service readily agreed to interconnect
- The case is still pending

TAX CUTS AND JOBS ACT

We are not persuaded by the fact the Commission referred to the refund here as an adjustment for extraordinary operating expenses. Semantics aside, the Commission's action constituted retroactive rate-making. The rates for 1976 and 1977 were set and approved as reasonable by the Commission, yet in its refund order, the Commission sought to reduce those past-approved rates. Rate-making is a prospective rather than a retroactive process

Rather than engaging in retroactive rate-making, the proper approach for the Commission is to consider these extraordinary monies in setting the test period operating experience when a future rate increase is requested. This method falls within the parameters of the Commission's rate-making authority; the ordering of a general refund does not.

SCE&G v. S.C. Public Service Commission, 275 S.C. 487 at 488 (1980)

In calculating rate base, the Commission allowed an adjustment to expense for Company's unrecovered rate-case expense incurred during two prior rate cases. The Commission had [328 S.C. 231] previously approved these expenses when a prior rate increase was granted in May 1993, amortized over a three-year period. At the time of the hearing in this case, the May 1993 rate had been in effect for approximately one year. The unamortized amount of rate-case expense was \$146,191 reflecting the remaining two years of unrecovered rate-case expense. Accordingly, the Commission allowed in this case an adjustment to expense for the two years of unamortized rate-case expense (\$146,191) amortized over the next three years.³

Rate-case expense is therefore expected to be fully recovered before the next rate case. Accordingly, the remaining unamortized rate-case expense, **previously approved but unrecovered**, is unanticipated and non-recurring and qualifies as an extraordinary expense. Amortization of this expense does not constitute retroactive rate-making and we affirm this finding of the Commission.

Porter v. Public Service Commission, 328 S.C. 231 (1997)

FORTY LOVE POINT LETTS SYSTEM

- Bob Gilroy testified as to the company's response to four customers who complained about the LETTS system
- According to Mrs. King problems were brought to the company in 2014
- Mrs. King testified that Bob Gilroy was responsive
- CWS is installing a pump on her LETTS tank
- CWS has been bringing trucks to the neighborhood during rain events
- CWS has hired an engineering firm to examine the system and will report to the Commission

CUSTOMER SERVICE ISSUES

- Bob Gilroy responded to the concerns of customers at the Landings subdivision about water pressure
- Bob Gilroy explained why Mr. Neeley of West Columbia experienced low hydrant pressure
- Customer meetings
- Robert Yannity, new director of communications
- River Hills lead result for Mr Kehler is negative

- Dancing Dolphjin – Matt Schellinger said some "small amount of I & I"
- Dancing Dolphin no overcharging
- Alberta Coit, Washington Heights Subdivision – new hydro tank, new interonnection